THE MANITOBA PUBLIC INSURANCE CORPORATION

AUTOMOBILE INSURANCE DIVISION

ESTIMATED FINANCIAL RESULTS

FOR THE YEAR ENDED OCTOBER 31, 1988

(UNAUDITED)

AUTOMOBILE INSURANCE DIVISION

The Automobile Insurance Division is projecting net income of $21.6 million for the fiscal year ending October 31, 1988, compared with a loss of $61.6 million for the same period last year. The 1988 projected net income will eliminate the $9.1 million accumulated deficit for the division and result in retained earnings of $12.5 million, which will be used to rebuild the Corporation's rate stabilization and catastrophe reserves.

Revenues

Total earned revenues are projected to rise to $318.5 million, up $44.3 million from the previous year's total of $274.2 million. This can be attributed primarily to an increase of $41.9 million in premiums earned as a result of higher rates for both compulsory and optional Autopac coverages, which took effect on March 1, 1988. Investment income is projected to increase by $2.4 million over the previous year to $39.2 million, due to the increase in premium income and improved claims experience.

Claims Costs

Claims costs are projected to decline to $259.7 million from $306.3 million in 1987.

The division processed approximately 229,000 claims (1987 - 249,000). The reduction in claims costs and actual claims presented to the Corporation can be attributed in large part to favourable weather and road conditions. Other factors were the increase in deductibles which was introduced in 1988, higher accident surcharges and demerit point premium assessments on driver licences and the introduction of the Autopac Merit Program, which provides a discount to motorists with good driving records.

Expenses

Projected expenses rose to $37.3 million from $29.5 million for the same period in 1987, an increase of $7.8 million. Higher commissions and premium taxes, which vary in relation to premium income, account for $3.5 million of this increase.

Administrative expenses rose by $4.3 million. Major factors which influenced these expenses include additional costs incurred because of revisions to the 1988 Autopac program, the transfer of three safety departments from the Division of Driver and Vehicle Licensing and payment for all expenses associated with the Autopac Review Commission.

Unaudited Statements

The attached statement has been estimated by the Corporation. It has not been audited by the Corporation's external auditor and is subject to finalization and adjustment.

THE MANITOBA PUBLIC INSURANCE CORPORATION

AUTOMOBILE INSURANCE DIVISION

ESTIMATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

(UNAUDITED)

	Year Ended October 31	
	1988	1987
	(in thousands of dollars)	
REVENUE		
Premiums Written	$295,599	$246,354
Premiums earned	$279,383	$237,492
Investment income	39,171	36,752
Total earned revenues	$318,554	$274,244
CLAIMS COSTS		
Claims incurred	$229,245	$278,637
Claims expenses	30,416	27,708
	$259,661	$306,345
EXPENSES		
Administrative	$ 15,045	$ 10,709
Commissions	13,712	11,531
Premium taxes	8,501	7,235
	$ 37,258	$ 29,475
Total claims and expenses	$296,919	$335,820
NET INCOME (LOSS)	$ 21,635	$(61,576)
STATEMENT OF RETAINED EARNINGS (DEFICIT)		
Retained earnings (deficit), at beginning of the year	$ (9,080)	$ 52,496
Net income (loss) for the year	21,635	(61,576)
Retained earnings (deficit), at end of the year	$ 12,555	$ (9,080)